

The background of the cover is a photograph of a woman with dark hair, wearing a dark blazer over a patterned top. She is smiling and looking off to the side. The image is overlaid with a large, abstract graphic element consisting of curved shapes in red and dark blue. The text is centered over the image.

2021

Disclosure Statement

Operating Principles for Impact Management
June 2021

I. Statement by authorized executive



To our stakeholders:

The Société de Promotion et de Participation pour la Coopération Economique (“Proparco”) is a founding signatory to the Operating Principles for Impact Management (“the Impact Principles”). The Impact Principles set inspiring goals to reach for all responsible finance investors eager to promote business in common. They provide standards and guidelines for an analytical and systemic approach to impact measurement. They also allow for sufficient flexibility for all impact investors – from asset managers, asset owners, asset allocators, to development finance institutions – to utilize their own impact management systems while harmonizing on emerging best practices.

This 2021 Disclosure Statement reaffirms that Proparco’s impact management systems, policies and practices are aligned with the Impact Principles. Total assets under management in alignment with the Impact Principles are USD 6,887 million (EUR 5,632 million)¹ as of December 31, 2020.²

Gregory Clemente
Proparco Chief Executive Officer
June 24, 2021

(1) This corresponds to all assets under Proparco management in Proparco’s own account investment and includes the following amounts:

•Portfolio exposure in debt: MEUR 4,601;

•Portfolio exposure in equity stakes and quasi-equity: MEUR 1,031.

Exposure is defined as the sum of the (i) committed exposure for Proparco’s debt investments, (ii) fair market value of Proparco’s equity investments, and (iii) total undisbursed equity commitments. Subsidies and TA that are not in Proparco’s own balance sheet are not included.

(2) The sole purpose of this Disclosure Statement is to fulfill Proparco’s obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. Proparco makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, Proparco shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and Proparco does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.

II. Statement of alignment

This statement reflects management practices as of June 2021.



PRINCIPLE 1

DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social, economic, or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The strategic intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible expectation of achieving the impact objectives through the investment strategy; and that the magnitude (scale and/or intensity) of the expected portfolio impact is proportionate to the size of the investment portfolio.

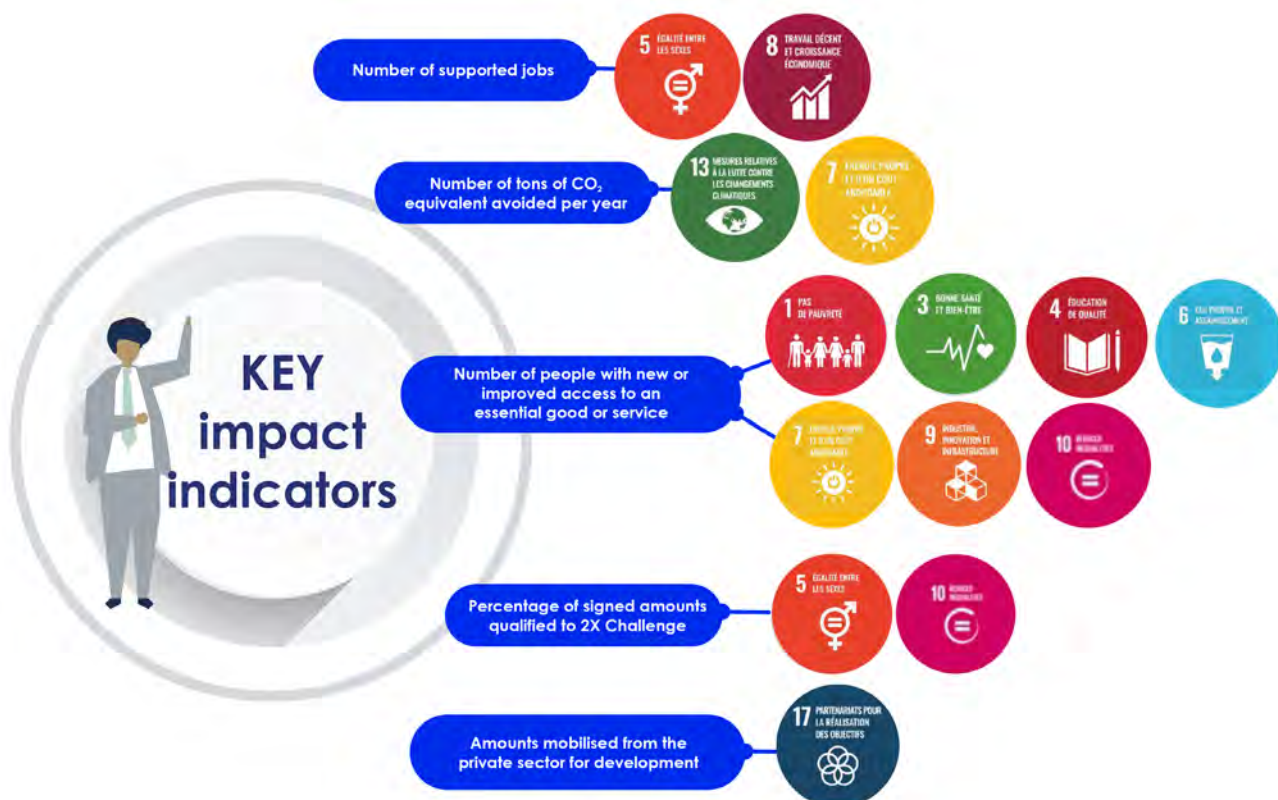
- As part of the Agence Française de Développement Group, Proparco has been working with the private sector to promote sustainable development for over 40 years. Its mandate is to invest and support private sector companies, projects and financial institutions so as to contribute to the sustainable economic, environmental and social development of developing and emerging countries.
- Proparco's 2020-2022 strategy reinforces its ambition to stimulate economic and social transitions towards sustainable and balanced growth models that rely on inclusive and low carbon development. Proparco seeks to contribute to the long-term transformation of sectors, economies and stakeholders to better support sustainable development objectives and the emergence of the economy of the future. This balance reflects both its ambition and its pragmatism.

Proparco's strategy for 2020-2022 involves

3 new strategic goals 4 operational priorities 1 geographic priority



- Organizational changes have been implemented since 2018 to ensure that Proparco's investment strategy is consistent with its impact objectives and *vice versa*, notably through the creation and regular reinforcement of the Sustainable Development Department with the same hierarchy level than mainstreamed operational departments to reinforce (i) ESG due diligence and operational management, (ii) impact measurement, monitoring and capitalization and (iii) Technical assistance and blended instruments, and through the creation of a dedicated team working on building Proparco's portfolio in fragile states.
- Our strategy and its intentions are publicly available on our website and are actively shared with our clients and partners. Objectives and goals are communicated internally, expected impacts are assessed systematically before investment, real impacts of projects are increasingly monitored since 2019 through an annual monitoring exercise (see Principle 6), and all teams, from operations to support teams, are committed to achieving these objectives.
- As a development finance institution and to improve accountability, we evaluate and report on the impact of our action. An approach to measure the results and impacts of our financing has therefore gradually been developed, using a set of indicators; the *ex-ante* impact analysis of each project is also presented from the broader perspective of the project's contribution to SDGs. Details regarding our impact objectives and impact results are available in our "2020 Sustainable Development report".³



(3) Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2020 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2020



PRINCIPLE 2

MANAGE STRATEGIC IMPACT AND FINANCIAL RETURNS AT THE PORTFOLIO LEVEL

The Manager shall have a process to manage impact achievement at the portfolio level, similar to that of managing financial returns. The objective of the process is to establish and monitor expected impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Proparco assesses every new project according to three dimensions: expected development impact, expected profitability of the investment, and its estimated level of risk. The individual variables collected project by project alongside these dimensions are tracked at portfolio level. The project data collected during the *ex-ante* assessment are entered in Proparco's results measurement framework which produces a project score comparing it to other similar projects in Proparco's portfolio. Also, quarterly portfolio dashboards are generated and shared with every staff members so that they know where Proparco stands on its annual *ex-ante* objectives, and can adjust as a team.
- Impact and E&S Action plan reporting is legally binding through individual contractual documentation, however this requirement is not systematically operationalised by clients; to facilitate the collection of this reporting and enable a more systematic follow-up of projects in terms of impact and E&S performance, in 2020 indicators were streamlined to around 15 indicators (except for funds, in case investees operate in different sectors, thus requiring several sets of indicators).⁴ This facilitated a broader monitoring exercise in 2020 and Proparco managed to monitor the impacts achieved at the end of 2019 by 214 projects signed between 2015 and 2018 (portfolio of EUR 4 billion). We believe that our project by project approach is even more demanding than a solely generic portfolio approach and ensures a high level of impact achievement at the portfolio level.

(4) Depending on the sectors of activity, this reporting compiles data concerning employment (direct and indirect), the number of women in the company, beneficiaries reached, climate and GHG impact, corporate tax paid, etc.



PRINCIPLE 3

ESTABLISH THE INVESTOR'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

The Manager shall seek to establish and document a credible, transparent narrative on the investor's contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels, and assessed for the individual investment, or from a portfolio perspective. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Proparco's mandate includes being additional as a pre-requisite for any investment to be conducted. Its operations focus on areas where its assistance is most needed and where it has the highest added value, particularly in terms of nonfinancial assistance. Proparco's additionality is questioned during the origination phase and is a condition for any deal to be investigated further.
- For each investment, expected impact and environmental & social diligences are conducted alongside financial, legal or risk diligences. The impact rationale for the investment, including Proparco's contribution to the achievement of the impact, is documented through the results measurement framework. Proparco's value creation plan and associated deployed means (E&S advisory, Technical Assistance ("TA"), Governance action plans, etc.) are described in the project documentation presented to the Investment Committee and inform the final decision.
- Benefiting to all clients whose operations have expected unlocking effects on impact, Proparco keeps on developing and diversifying its range of assistance in order to increase the impact of its clients' operations. This involves deploying TA projects⁵ and mobilizing delegated financing from several sources external to Proparco – notably from the European Commission and the Green Climate Fund– combined with its own instruments according to blending methods. The use of these concessional funds and grant resources from Agence Française de Développement ("AFD") and the French Government, blended with market instruments, enables Proparco to diversify and tailor its instruments to the needs and level of risks of companies, while maximizing the impact of its action. Deployment of a range of instruments with strong leverage effect on private finance mobilization such as equity and guarantees is another opportunity for Proparco to contribute further to support its clients on building their strategy towards impact achievement.
- Also, as the need to mobilize private resources is at the heart of discussions around how to finance the SDGs, Proparco's strategic goals for the period 2020-2022 include catalysing private stakeholders in order to redirect private finance flows towards sustainable development investments. In this regard, Proparco adopted a new impact indicator in 2019: the amount mobilised from the private sector for development. The mobilization of private finance is now calculated for each project using the OECD methodology and the total volume of private finance mobilized by Proparco is reported accordingly.

(5) PROPULSE, Proparco's technical assistance offer, aims to strengthen the capacities of clients (or prospective clients in exceptional cases) in order to address capacity building and/or business transformation/development issues. The objective is to generate more positive impacts or improve their performance, by providing clients with expertise and know-how tailored to their needs, and thereby helping them develop their strategies and practices and support their commitment to innovation. For more details, see <https://www.proparco.fr/en/ressources/propulse-english-version>.



PRINCIPLE 4

ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH

For each investment, the Manager shall assess, in advance and, where possible, quantify the concrete positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact differing from *ex-ante* expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow international best practice conventions.

- The contribution that the companies it finances make to local development is central to Proparco's investment approach. During project appraisal, Proparco uses its results measurement framework⁶ in order to estimate *ex-ante* impact. The tool uses a combination of quantitative and qualitative analyses aimed at steering investment choices. It places particular importance on a project's developmental, environmental and social impacts. These indicators include impacts such as government revenues, employment impacts, number and profile of beneficiaries, technology and skills transfer, the social effects of investments, as well as Proparco's own value creation including its role in ESG risks mitigation or LCB/FT improvements for instance. The expected contribution of the investment to the SDGs is also taken into account.
- The impact assessment relies upon industry indicator standards such as HIPSO and IRIS. Enriched with qualitative analysis, these indicators enable *ex-ante* project assessments as well as the identification of paths to improvement to help Proparco clients enhance their performance, when relevant.
- Through the current tool, four models are used depending on the type of client (banks, funds, corporates and infrastructure) and each new investment is assigned an *ex-ante* "DEV" score that reflects Proparco expectations of the project's development outcomes. The score and its explanatory analysis are generated by the Impact measurement team. The analysis aims at articulating the project's potential effects on all dimensions of sustainable development.
- Proparco's results measurement framework and due diligence tools are currently being reworked and improved to fully integrate the strategic impact objectives set in the new strategy into the investment decision-making toolkit. This is being developed by the Impact Measurement team and implies revising the *ex-ante* scoring system, refining the list of indicators collected, as well as developing sectoral frameworks. These frameworks are designed to support investment officers at headquarters as well as operational staff in local and regional offices during both identification and appraisal phases so they can grasp projects' potential impacts more quickly and in a more relevant manner. Each framework focuses on a specific sector and details (i) key economic, social and environmental challenges, (ii) Proparco's potential impacts on the value chain, (iii) Proparco's development impact thesis as a theory of change and (iv) most impactful projects in the sector. Inputs are also provided regarding the specificities of the sector in terms of compliance with our « 100% Paris Agreement » commitment, carbon footprint and criteria to qualify the climate action co-benefits of a project. These frameworks were developed in 2020 for the textile, cement and other construction materials, off-grid electricity and fertilizer sectors; other sectors will follow in 2021.

(6) Currently Proparco's impact assessment tool is an adapted version of the GPR tool as developed by DEG (for more details, see www.proparco.fr/fr/ressources/mesure-des-resultats-et-impacts-des-interventions-de-proparco - available in French only). Discussions are underway to update this tool so that it aligns further with its strategic intent.

- In addition to the ex-ante impact assessment leading to a "DEV score" (see above), a "100% Paris Agreement" analysis is systematically conducted during project examination phase. AFD Group was one of the first international donors to integrate the fight against climate change into its practices and our Group's Climate & Development Strategy 2017-2022⁷ entails four commitments,⁸ including ensuring a 100% Paris Agreement-compatible activity, i.e. making all of our financing consistent with low-carbon and resilient development and supporting the long-term climate strategies of the countries we operate in. In this regard, a screening process was set up for all projects, to ensure that none of them run the risk of going against the objectives of the Paris Agreement (that is, for example, to lead to a risk of locking in the countries' GHG emissions over the long term or to increase its exposure to the harmful impacts of climate change). Several tools have been developed, including climate country fact sheets for all countries we operate in, and a methodological framework for implementing the 100% Paris Agreement in our operations: our project examination phase comprises a systematic analysis to be carried out, to identify potential inconsistencies between direct financing and investment by Proparco (excluding intermediation) and the Paris Agreement. Regarding our potential funding projects for financial institutions, in 2020 Proparco together with AFD Group has worked on a common approach to analyse the "100% Paris Agreement" compatibility of our financings, based on a risk analysis of both the direct effect on climate change of the use of proceeds of our financing and the level of climate integration at the bank level and its assets. This approach will be implemented in the course of 2021.
- Also, as financial institutions are key contributors to climate action, in 2020 Proparco together with AFD Group developed a new instrument for accounting for non-dedicated climate credit lines. This Pro-climate approach complements the existing one regarding investments which are dedicated to climate-eligible investments on the basis of predefined criteria, and aims to support the evolution and transformation dynamics of financial institutions in favour of climate mitigation and adaptation. Currently in a pilot phase, it involved a limited number of operations in 2020 and should be extended in 2021. The cooperation between Proparco and the partner bank translates into a Climate Action Plan based on an in-depth diagnosis of the bank's climate strategy and performance in the context of the market where it operates. Technical Assistance can be provided to help the partner bank implement and report on this Climate Action Plan.
- Expected positive impacts on the reduction of gender inequalities are also assessed during projects' examination phase, in line with Proparco's Gender strategy. This strategy was adopted in 2020 in order to strengthen Proparco's action in favour of gender equality, with the objective of reaching 25% of signed amounts qualified to the 2X Challenge⁹ by 2022. Projects are thus evaluated in relation to the 2X Challenge eligibility criteria i.e. in terms of women's entrepreneurship, women's leadership women's employment, offer of goods and services designed to benefit women specifically, and in terms of criteria devoted to clients or assets for intermediated financing. Results for 2020 are detailed in our "2020 Sustainable Development Report".¹⁰
- Also, as part of our 2020-2022 strategy, in line with our commitment to contribute to redirecting private financial flows towards sustainable development investments (SDIs), the amounts mobilized from the private sector for SDIs are estimated for each project using OECD's methodology, and total amounts mobilized are reported on an annual basis.¹¹
- The likelihood of achieving the investment's impact, although not measured as such today, is of particular importance and is maximized by Proparco's participation in the governance bodies of equity-funded actors and by Proparco's technical assistance services:
 - Through its participation in governance bodies or via its shareholder rights, Proparco can influence the company's strategic decisions and ensure that the directions taken are in line with ESG best practices and with development impact objectives.
 - PROPULSE, Proparco's technical assistance offer, aims to provide expertise and know-how tailored to our clients' needs in order to generate more positive impacts on development.¹² These projects allow Proparco to closely monitor the achievement of specific actions contributing to some of the strategic impacts, especially related to climate or gender.

The monitoring of the results achieved by our projects, reinforced since 2019, demonstrates that the results achieved by our projects are overall in line with our *ex-ante* estimates (see Principle 6).¹³

(7) www.proparco.fr/en/ressources/climate-development-strategy-2017-2022

(8) (i) ensure a 100% Paris Agreement-compatible activity, (ii) increase the volume of climate finance, (iii) contribute to redirecting finance and investment flows, and (iv) co-build solutions and bring influence to bear on standards.

(9) The 2X Challenge is a multi-stakeholder initiative which was launched in 2018 and which aims to support projects that empower women as entrepreneurs, business leaders, employees and consumers of products and services, and increase their participation in the economy. More information at: www.2xchallenge.org/

(10) Report available In English at www.proparco.fr/en/ressources/sustainable-development-report-2020 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2020

(11) See our Sustainable Development Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2020 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2020

(12) For more details, see <https://www.proparco.fr/en/ressources/propulse-english-version>

(13) See our 2019 and 2020 Sustainable Development Reports : www.proparco.fr/en/ressources/sustainable-development-report-2019 and www.proparco.fr/en/ressources/sustainable-development-report-2020



PRINCIPLE 5

ASSESS, ADDRESS, MONITOR, AND MANAGE THE POTENTIAL NEGATIVE EFFECTS OF EACH INVESTMENT

For all investments, the Manager shall seek to avoid, minimize, or mitigate potential negative effects by assessing and monitoring Environmental, Social and Governance (ESG) and other non-financial risks, as well as the performance of the investee in managing material ESG issues. Where appropriate, the Manager shall engage with the investee company to seek its commitment to take action to address potential gaps in current investee systems, processes and practices, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, provide support where appropriate, and address unexpected events.

- Proparco's environmental and social (E&S) approach is based on a risk based methodology with reference to the IFC performance standards, the international labor standards of the International Labor Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights. The approach is harmonised with other European Development Finance Institution. It involves i) assessing the E&S risks of each project by a robust understanding of the E&S context and the project's characteristics (categorisation); then, ii) ensuring that the project does not include any activity on the exclusion List. Where appropriate, the measures planned by clients to manage the E&S risks are compared with international best practices. Then, if necessary, the E&S experts propose to clients additional measures to manage E&S risks and improve E&S performance, if needed through Technical Assistance project.
- Proparco is a member of the Corporate Governance Development Framework. As such, through a risk based approach, Proparco uses several diagnostic and assistance tools to assess and monitor the corporate governance of its clients (a pre-analysis rating tool, a matrix to measure the maturity of governance, questionnaires, etc...). Where appropriate, the corporate governance experts develop adequate recommendations in accordance to the Corporate Governance Development Framework guidelines.¹⁴
- Potential negative effects on climate are also assessed during project appraisal through an evaluation of the carbon footprint of the investment (including induced GHG emissions in the supply and value chains) and, where necessary, an analysis of the alignment of the project climate impact with the Paris Agreement low-carbon pathways. If the analysis recommends that the project's GHG emissions and lock-in effects are not compatible with a low-carbon trajectory, the project won't be invested by Proparco.
- During the execution of the operation, the teams monitor the implementation of the ESG mitigation measures. This monitoring is crucial to respecting best practices in the long term and improve clients sustainability. It is subject to the calculation of indicators, which are regularly assessed and produced by Proparco's teams. It thereby materializes the development of the ESG performance and the levels of residual ESG risks throughout the life of each project. Where deemed necessary, a specific technical assistance program can be established with the project to support ESG improvements. For unforeseen high ESG risk situations, a specific process is followed notably by the establishment of an "ESG watchlist". The ESG watchlist aims to closely and adequately monitor the project and accompany the client to find appropriate solutions.

(14) This framework agreement supports the implementation of a common policy and methodology for good governance, based, for example, on the work of IFC on its performance standards.
More information at: <http://cgdevelopmentframework.com/>



PRINCIPLE 6

MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts, including social, economic or environmental impacts, in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate corrective action, consistent with the nature of the investment. The Manager shall also seek to use the results framework to capture investment outcomes, or longer-term effects.

- The monitoring and evaluation of the operations financed by Proparco is essential to the effectiveness of its action. Indeed, it makes it possible to test the assumptions that justified the financing, refine one's sectoral and geographical strategies and, more generally, report on one's activity. The provision of an annual reporting on the evolution of certain indicators is requested to all clients; to facilitate the collection of this reporting, indicators were streamlined so they are easier to collect.¹⁵ In 2020 Proparco monitored the impacts achieved at the end of 2019 by 214 projects signed between 2015 and 2018 (portfolio of EUR 4 billion) in terms of jobs supported, new or improved access to an essential good or service and tons of CO₂e avoided per year. As for the exercise conducted in 2019, the 2020 study results appear very close to the *ex-ante* forecasts. Detailed results are available in our "2020 Sustainable Development Report".¹⁶
- Proparco actively contributed alongside the EDFI and other key partners to the harmonization of approaches to assessing the impact of projects on jobs, climate change and the reduction of gender inequality, particularly in relation to the initiatives led by the Global Impact Investing Network (GIIN) and Harmonized Indicators for Private Sector Operations (HIPSIO). Proparco has also participated in the development of the Joint Impact Model (JIM), to help investors better capture indirect effects relating to their investments. JIM measures the induced effects of projects in terms of indirect employment and added value, by looking at trickle-down effects in the economies. After a year of close collaboration with the AfDB, BIO, CDC, FinDev Canada, FMO and Steward Redqueen, the JIM¹⁷ was launched in November 2020. The model has been adopted by the six founding institutions, approved by the IFC, and is currently being tested by 25 institutions. Thanks to this modeling tool, Proparco is now able to compare its expectations on employment impacts to the actual induced job estimates and impacts in a consistent way.
- Proparco's philosophy is to advise and support its clients in the long run for them to align with international best practices and be more impactful. For instance, if the intended contractual initial commitments (e.g. environmental and social or corporate governance action plans) are not successfully implemented by the client, we try to identify the root causes and, in some specific cases, we may discuss financial and non-financial assistance (technical assistance) in order to support the client in improving its practices and thus maximize the potential of the project.

(14) This framework agreement supports the implementation of a common policy and methodology for good governance, based, for example, on the work of IFC on its performance standards.

More information at: <http://cgdevelopmentframework.com/>

(15) Depending on the sectors of activity, this reporting compiles data concerning employment (direct and indirect), the number of women in the company, beneficiaries reached, climate and GHG impact, corporate tax paid, etc.

(16) Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2020 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2020

(17) <https://jointimpactmodel.com>

(18) Proparco's technical assistance offer aims to strengthen the capacities of clients (or prospective clients in exceptional cases) in order to address capacity building and/or business transformation/development issues. The objective is to generate more positive impacts or improve their performance, by providing clients with expertise and know-how tailored to their needs, and thereby helping them develop their strategies and practices and support their commitment to innovation.



PRINCIPLE 7

CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

The Manager shall, in good faith and consistent with its fiduciary responsibilities, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- In general, as regards debt and guarantee instruments, there is no strategic decision on exits as these are *a priori* self-liquidating. However, the teams do discuss refinancing, repeat deals, and any financial structuring with clients when relevant for the sustainability of the project achievements. Supporting its clients in the long run is part of Proparco's strategy. If a client encounters operational and financial difficulties, Proparco's approach, implemented by a "Special Ops" team, is to actively find restructuring solutions that can accommodate the client needs and, if possible, ensure sustained operations and impact.
- When conducting exits in its equity portfolio, Proparco would always consider the timing, the structure, and the choice of the buyer in a concerted manner with its client's needs and preferences as these can have an instrumental effect on sustaining development impact. Exit plans are confirmed during an Exit Committee lead by Proparco's CEO, after comprehensive diligences on the buyer's reputation have been conducted.
- Finally, Proparco deters prepayments with punitive clauses to ensure that the duration of the financing/investment is adapted with the generation of expected impacts. Proparco also intends to enhance its "support to client" approach and dedicate more human and TA resources to long-term clients in order to deepen its collaboration with them and improve their CSR, innovation skills and management practices in the long run.



PRINCIPLE 8

REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Project evaluation meets Proparco's objective of transparency and accountability, but also and especially aims to improve its actions. Evaluations contribute to feeding into the state of knowledge on development by establishing a link between research and the field. For certain projects or groups of projects, an in-depth *ex-post* evaluation is conducted by the Impact measurement team or with support from consultants. Combined with project by project monitoring, these in-depth studies make it possible to compare the actual results of projects with the results expected at the time of the signing and feed into Proparco's strategic thinking. These are mostly demand-driven evaluations identified to fill knowledge gaps and/or accordingly requested by the investments teams to evaluate global performance. From 2020 onwards, Proparco plans to disclose these evaluations publicly, in agreement with clients, whatever the results and recommendations, on its website¹⁹. As part of our client support, we will encourage management to commit to an action plan related to the study recommendations, which will be monitored. In addition, the Impact measurement team can recommend field evaluation, in particular when considering repeat deals.
- In 2020, as part of the review of AFD Group's evaluation policy, Proparco carried out an appraisal of the evaluations carried out from 2014 to 2019 in order to inform the development of recommendations on the Group's future evaluation policy.²⁰ Proparco will build upon this policy to push for the use of evaluation as a component of good governance to enrich the dialogue with its clients.

(19) www.proparco.fr

(20) The future AFD Group evaluation policy will be available on AFD website (www.afd.fr).



PRINCIPLE 9

PUBLICLY DISCLOSE ALIGNMENT WITH THE IMPACT PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE EXTENT OF ALIGNMENT

The Manager shall publicly disclose, on an annual basis, the extent to which impact management systems are aligned with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall be publicly disclosed, subject to fiduciary and regulatory concerns.

- This Disclosure Statement re-affirms the alignment of Proparco's policies and procedures with the Impact Principles and will be updated annually. Additional information on Proparco's impact management systems and results can be found in Proparco's "2020 Sustainable Development Report"²¹ and other publications on Proparco's and AFD's websites, including AFD Group's "Corporate Social Responsibility Report", "Climate Activity Report", "Climate & Development Strategy 2017-2022" and "Climate-Development 2017-2022 strategy: mid-term review".²²
- The independent assurance report on the alignment of Proparco with the Operating Principles for Impact Management is available at www.proparco.fr/fr/impact and www.proparco.fr/en/impact.
- Information on the current independent verifier is as follows:

Name and Address: EY & Associés
Tour First 1 place des Saisons TSA 14444
92037 Paris La Défense Cedex France

Qualifications: EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

Most recent review: June 2021
Next planned review: June 2022

(21) Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2020 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2020

(22) These publications are accessible at www.proparco.fr/en/ressources and www.afd.fr/en/ressources

